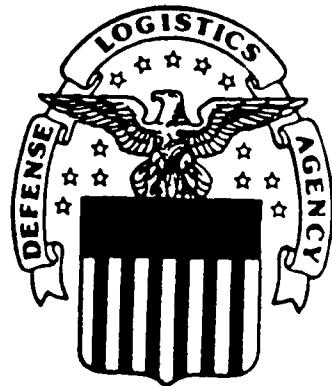


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DEFENSE CONTRACT ADMINISTRATION SERVICES REGION PHILADELPHIA

Total Quality Management

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MESSAGE FROM THE COMMANDER OF DCASR PHI

KEYNOTES

TO THE MEN AND WOMEN OF DCASR PHILADELPHIA

Regardless of your grade, position, or functional speciality, you are a vital member of the DCASR Philadelphia Family. As such, I urge you to read the enclosed TQM Implementation Plan -- and become an integral part of the vital changes that are taking place. This plan describes how we are becoming the very best at what we do -- the administration of contracts for our customers -- a demanding and extremely important endeavor.

The essence of TQM is pretty simple -- build an organization that achieves excellence for its customers and is a great place to work for its people. Of course, doing that is not all that simple -- a lot of hard work is involved over a long period of time. If I had to pick one ingredient that I truly believe is the key to succeeding with TQM it is caring -- demonstrate that you care for your fellow team members -- those who work for and with you, and yes even your boss, and above all each of your customers. That may sound a bit idealistic -- but it isn't -- it is called leadership, and each and everyone of us can set the right example and be a leader in helping to build an organization that stands for quality through and through.

Read the Plan, think about it, ask questions, talk about it, be curious, challenge aspects of our TQM efforts you think can be improved, get involved, and show your enthusiasm. We need each and everyone of you to do exactly that. This is the type of individual involvement and commitment we owe to the American taxpayer, our customers, and to ourselves.

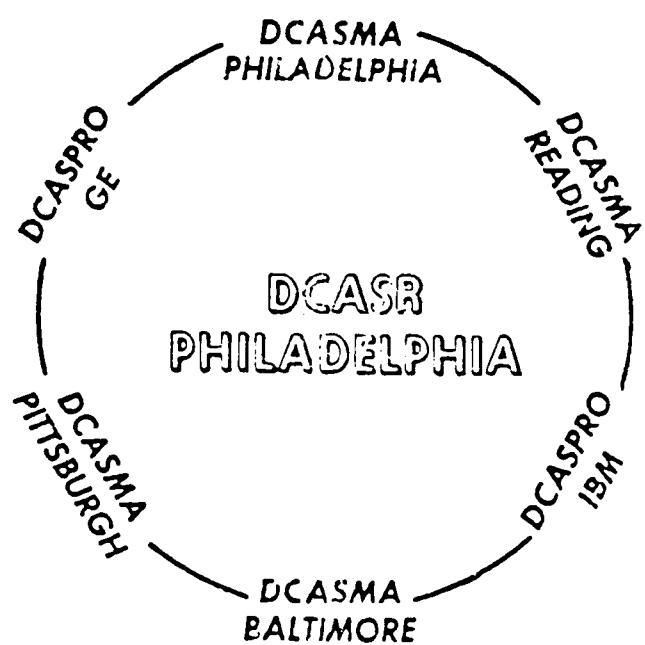


A. W. MUSGRAVE, JR.
Captain, SC, USN
Commander

The essence
of TQM is
pretty
simple --
build an
organization
that achieves
excellence for
its customers
and is a great
place to work
for its people.

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*A REGION
COMMITTED TO
CONTINUOUS
IMPROVEMENT*



FIRST PRINTING
JUNE 1989

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IF YOU TREAT A MAN AS HE IS, HE WILL REMAIN AS HE IS --
IF YOU TREAT HIM AS IF HE WERE WHAT HE COULD BE,
HE WILL BECOME WHAT HE COULD BE.

JOHANN WOLFGANG VON GOETHE

CHAPTER I

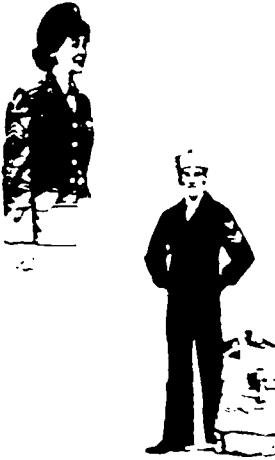
FOUNDATIONS FOR OUR

TQM INITIATIVE

Introduction

While there is much in the philosophy of TQM that conscientious and experienced managers recognize as something they have practiced all along, there are also aspects that represent a radical change in thinking. In this chapter, we discuss the basic philosophy underlying DCASR Philadelphia's approach to TQM -- what we keyed on as important objectives, our basic values as reflected in our Constancy of Purpose and Guiding Principles, and the requirements and policy direction for TQM emanating from DoD and DLA.

Our Basic TQM Objectives



The work we do is a vital part of the acquisition process. We are proud to have an important role in support of our men and women in uniform.

DCASR PHI has long enjoyed a solid reputation for excellent Contract Administration Services (CAS) support and productivity; however, faced with a dire resource picture and the need to become significantly more efficient, the Region began its Total Quality Management (TQM) implementation efforts in the spring of 1988. Benefits of our initial efforts are starting to show, but we also know that we have just begun. TQM means changing our organizational culture, changing the way we think, and changing the way we get our jobs done - that takes a long time to accomplish in total, but the ball is rolling and this Plan describes how we are getting there. Our basic approach to implementation is to do the things necessary to create: - Quality in people - Quality in work processes - Quality in work environment - Satisfied customers.

Working to achieve these objectives is the way that DCASR Philadelphia is becoming an organization where our customers value what we do, and each of us can feel proud of the work we do in contributing to our mission. With each year of progress along this transformation path, we are seeking to become more and more effective in performing our contract administration mission, and at a lower cost.

While there are a multitude of efforts and organizational changes that take place over time to build an organization founded on Total Quality Management principles, a simple frame of reference is shown as figure 1. If we can build an organizational environment characterized by *individuals who care*, we can and will attain *excellence for our customers* and be a great place to work for all of our people.

Deming Philosophy as a Basic Underpinning

Early in our TQM Implementation planning, we adopted and studied the philosophy of Dr. W. Edwards Deming. A significant number of our managers have attended his four-day seminar and more will attend in the future. Dr. Deming's philosophy is imbeded in his fourteen principles (see figure 2).

Our Initial TQM Precepts

In structuring the many activities in support of our TQM initiative, the following precepts guided our efforts:

- TQM is not a program -- it is a cultural change.
- Short term payoffs can occur, but expectation must be focused on the long term.
- Our focus is on continuous improvement.
- Management is responsible for between 85% - 94% of process variation/problems.

Our Operating Philosophy

One of Dr. Deming's fourteen principles is to have a Constancy of Purpose - a solid commitment to a direction - values that are true and unwavering. Ours are shown as figure 3

THE ESSENTIAL ELEMENTS OF TQM AT DCASR PHILADELPHIA

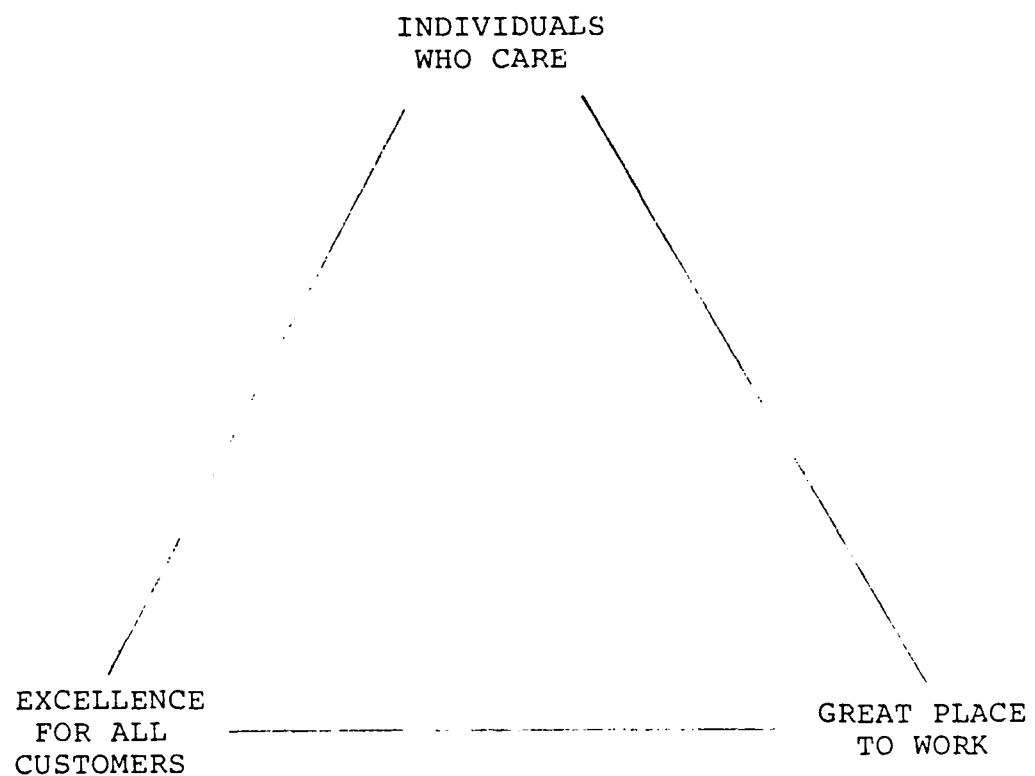


FIGURE 1

The Fourteen Obligations of Top Management

1. Create constancy of purpose for improvement of product and service.
2. Adopt the new philosophy.
3. Cease dependence on inspection to achieve quality.
4. End the practice of awarding business on the basis of price tag alone. Instead, minimize total cost by working with a single supplier.
5. Improve constantly and forever every process for planning, production and improvement.
6. Institute training on the job.
7. Adopt and institute leadership.
8. Drive out fear.
9. Break down barriers between staff areas.
10. Eliminate slogans, exhortations, and targets for the work force.
11. Eliminate numerical quotas for the work force and numerical goals for management.
12. Remove barriers that rob people of pride of workmanship. Eliminate the annual rating or merit system.
13. Institute a vigorous program of education and self-improvement for everyone.
14. Put everybody in the company to work to accomplish the transformation.

Dr. W. Edwards Deming

JL Divland
7/16/86

FIGURE 2



- Constancy of Purpose -

Our mission is to provide quality contract administration services for our customers. The work we do is a vital part of the acquisition process. We are proud to have an important role in support of our men and women in uniform. We strive to continually improve our performance. We are contract administration professionals.

- Guiding Principles -

People

The most important resource in our organization is people. We value everyone's ideas and opinions. Our goal is for each individual to contribute to the best of his or her ability. We encourage and support every employee's professional growth and career development.

Customers

Every member of our organization has one or more internal or external customers. Our commitment is to meet the needs of these customers. Success is when our customers value what we do.

Quality

We are committed to continually improving the quality of services we provide. We want to do the very best we can for those we serve. Through improvement of quality we will increase productivity and customer satisfaction.

Communications

Our organization believes in and practices open and forthright communications. We are honest with both ourselves and our customers. We remove barriers which stifle ideas and opinions. We keep everyone informed and answer everyone's questions. Good communications help us achieve teamwork and trust, which is vital to our organization.

Integrity

We recognize our responsibility to practice the highest ethical standards in all that we do. As public servants, we have a higher calling than that of society in general. We respect each individual, and avoid any action which treats a person in an unfair or discriminatory way. We recognize our responsibility to get the most from the resources the taxpayer has entrusted to us and to make our organization more productive.

MAY 1989

FOUNDATIONS FOR OUR TQM INITIATIVE

Department of Defense TQM Direction

The genesis of TQM in DoD was with the Reagan Administration. Based on the vision and leadership of the Under Secretary of Defense (Acquisition), Dr. Robert Costello, the Secretary of Defense, Mr. Frank Carlucci published a letter in March 1988 (Appendix A) which provided specific guidelines for TQM. Secretary Carlucci stated that TQM is a concept that demands top management leadership and continuous involvement in the process activities, and that the success of TQM will be characterized by an organization with quality trained and motivated employees working in an environment where managers encourage creativity, initiative, and trust, and each individual's contributions are actively sought to upgrade quality. Under the current administration of President Bush, Deputy Secretary of Defense Donald Atwood has published his philosophy of TQM and disseminated it to the whole of DOD for implementation (see Appendix B). This letter from Deputy Secretary Atwood, with forwarding endorsement from the DLA Director, clearly supports a strong continuance of the TQM philosophy established by Secretary Carlucci and Dr. Costello.

TQM in the Defense Logistics Agency

The Defense Logistics Agency is providing full and vigorous support for DoD's TQM initiative as is addressed in Lieutenant General McCausland's, DLA Director, Message of 1 May 1989 (figure 4). TQM is a philosophy which will be rooted as a way of life within DLA. Adopting this philosophy will require cultural change in the way business is done in DLA. TQM embraces an important customer-supplier relationship by focusing attention on providing timely quality products and services in everything DLA does. Whether customers are co-workers, bosses, organizations, activities, or Soldiers, Sailors, Airmen, and Marines, the customer expects and deserves the best that DLA can provide. Contractors, also customers, deserve quality, on-time services, inspection, acceptance, and payment. Everyone is personally responsible for developing an attitude within the Agency that encourages constructive change, identifies opportunity, and stimulates innovative ideas for continuous improvement.



DIRECTOR'S MESSAGE

DLA's mission is to provide quality logistics support and services to the Armed Forces. To accomplish this mission we must:

Know our customers and meet their needs.

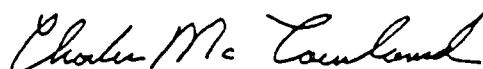
Commit to Total Quality Management--
make our processes modern and productive.

Reward creativity and innovation in our workforce
while demanding integrity and accountability.

Modernize our communications, management and
information systems.

Implement quality of life in the work place.

Plan for the future of the Agency.



A handwritten signature in cursive ink that reads "Charles McCausland".

CHARLES McCUSA
Lieutenant General, USAF

1 May 89

CHAPTER II

TQM ORGANIZATION

AND APPROACH

CHAPTER 2 - TQM ORGANIZATION AND APPROACH

Introduction

One of the most vital aspects of TQM transformation establishing an organizational structure to guide, nurture, and support the organizational change process. In this chapter, we describe the structure we have established -- the entities created and their duties and responsibilities. With this structure, we have put in place a capability to move forward with our TQM transformation at an accelerated pace.

TQM Support Structure

TQM Support
Structure

ESC

QMB

PAT

A TQM structure that has been established is fully operational. Our concept is for this TQM structure to operate along-side of our functional and command structure. Our TQM structure is dynamic in that it will increase in size and influence over time and change quickly to meet the changing needs of process improvement. The basic TQM structure for DCASR Philadelphia is shown as Figure 5. This structure consists of a TQM Support Staff, an Executive Steering Committee (ESC), Quality Management Boards (QMBs), and Process Action Teams (PATs).

1. TQM Support Staff

The composition of the TQM Support Staff is dynamic and based on the needs of the TQM related planning and support. Members of the TQM Support Staff are full-time and they are committed to the implementation process. The Support Staff is headed by the Region's TQM Coordinator who is currently supported by a team of three facilitators. This group reports directly to the Region Commander and, within the TQM organization, serves the Executive Steering Committee. However, quality transformation is not the exclusive responsibility of this element, it is the responsibility of management. As the future unfolds, there may be a need to increase the staff of this organization to include a statistician, management analysts and other professionals.

DCASR PHILADELPHIA TQM ORGANIZATIONAL STRUCTURE

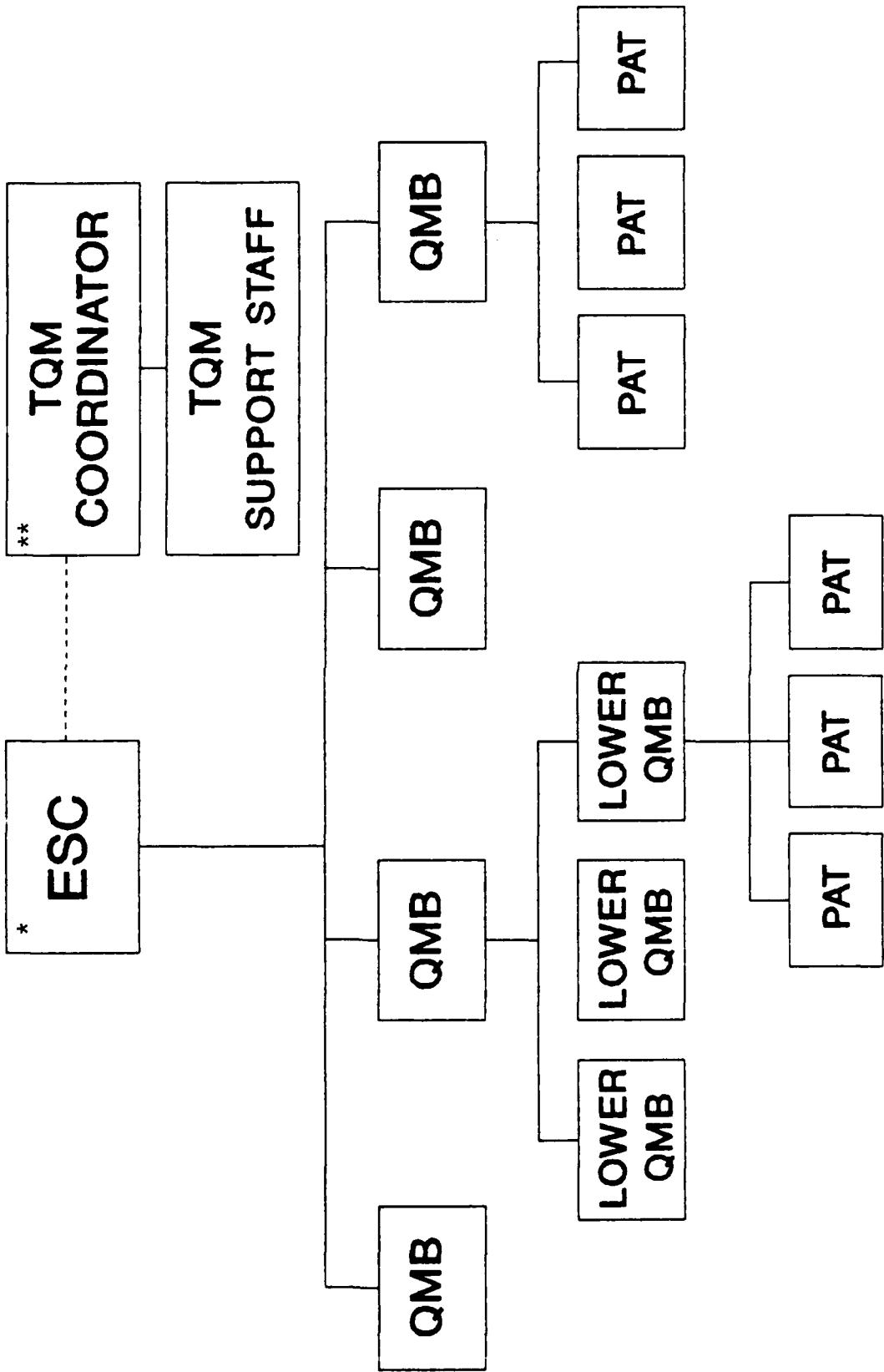


FIGURE 5

TQM ORGANIZATION AND APPROACH

The responsibilities of this staff include, but are not limited to the following:

- Participate and assist at Executive Steering Committee (ESC) and Quality Management Board (QMB) meetings.
- Help managers assess the effects of various transformation efforts.
- Keep track of the various QMB process improvement efforts.
- Budget for and acquire resources, both materials and services, and coordinate the deployment of these resources.
- Oversee all TQM training initiatives.
- Provide assistance and other required training to QMBs and PATs.
- Orient new managers and other key personnel.
- Maintain a library of information resources.
- Coordinate all publicity for the transformation efforts.
- Develop and maintain a TQM database to perform reporting and analysis, as required.

2. Executive Steering Committee (ESC)

ESC:

A group of senior managers, representing a cross section of our organization



Our TQM efforts are directed by a group of senior managers, representing a cross section of the Region. The ESC is chaired by the region Commander. Members are the Region Deputy, Field Commanders and principal staff directors. This group meets monthly, as has been the case since its inception in June 1988. The frequency supports a strong TQM impetus, while providing sufficient time between meetings for QMBs to pursue new progress.

The primary duties of the ESC are to:

- Provide TQM leadership to the Region.

TQM ORGANIZATION AND APPROACH

- Develop TQM philosophy, policy, and Master Plan, and monitor and modify activities as appropriate.
- Provide resources to support the QMBs.
- Identify processes that will require QMBs review.

3. Quality Management Board (QMB)

This working group consists of a team of functional experts who are familiar with the process under examination. Team members can be from a functional area, cross functional lines or have representation from external customers activities if appropriate.

The QMB is responsible for the following activities:

- Identify and select critical processes.
- Develop plans for improvement.
- Facilitate data collection activities.
- Provide decision and resource support for PATs.
- Implement and evaluate system changes.

4. Process Action Teams (PATs)

A PAT is composed of personnel working with processes to be evaluated within a functional area. As with the QMB, there may be occasions where membership in this group will cut across other functional areas.

This group will be responsible for the following:

- Collecting and analyzing data.
- Keeping accurate documentation on process variation.
- Making recommendations for action to QMBs.
- Putting plans into operation when approved by the ESC.

QMB:

A team of functional experts who are familiar with the process under examination

PAT:

Personnel familiar and working with processes to be evaluated

TQM ORGANIZATION AND APPROACH

Through the ESC, areas requiring process improvement will be identified and selected for testing. Tests will be conducted by the QMB, and a PAT or PATs will be organized around each process selected for testing. Each activity (QMB and PAT) will develop a plan of action that will highlight its basic objectives and desired outcomes. Based on results of tests and subsequent recommendations by the QMB, the ESC will provide the support for implementing action(s).

CHAPTER III

AREAS OF FOCUS

FOR TQM IMPLEMENTATION

CHAPTER III - AREAS OF FOCUS FOR TQM IMPLEMENTATION

Introduction

A DCAS Region, and the command components within it, is highly complex due to the functional diversity, geographical dispersion, rapid pace of mission activities, and the criticality of individual contract administration functions being performed. Implementing change in such an environment requires a carefully orchestrated integrated approach across the key areas of focus. In this chapter, we describe our basic TQM strategy in terms of the areas we are focusing on for change, and how we are going about creating the changes necessary to transform our Region into an organization where total quality is pervasive.

Implementation of TQM in DCASR Philadelphia focuses on long term success, versus short term results. This requires support from every employee starting with total commitment from top managers and ending with total application of continuous improvement initiatives by everyone. The key to successful implementation of TQM in the Region rests with our ability to build a quality organization capable of delivering the highest quality support to our customers. In essence, we must create:

- Quality in people
- Quality in processes
- Quality in work environment
- Satisfied customers

Quality in People

**PEOPLE -
Our most
valuable
resource**

Our most valuable resource is people. We must remove barriers that prevent each Region employee from becoming the best that he or she can be. Our employees have a vested interest in any program change. They also have the specific knowledge which is essential for effective/efficient process improvement. Therefore, one of our important objectives of TQM implementation in DCASR Philadelphia is for each employee to continuously seek opportunities for and participate in process improvement. To assist each individual in achieving this objective, we have instituted vigorous training

THE FOUNDATIONS OF TOTAL QUALITY MANAGEMENT

programs to improve the professional and technical abilities of every employee. All of our personnel policies are geared to building a quality workforce. In an attempt to break down barriers and establish an environment of excellence, DCASR Philadelphia has undertaken several initiatives focused on building teamwork and a harmonious work environment, which are essential to continuous improvement. Some of the major personnel initiatives that have been or are being implemented are described in the following paragraphs.

1. Training: A top Region budget priority is training. It is critical for our future capability that we maintain an emphasis not only on technical and mandatory training requirements, but also on training that enhances and develops the full potential of every individual. The training efforts have been initiated with internal and external sources and targeted for increasing general awareness, and professional certification and development. Some of the training that has been most important to TQM implementation include:

a. Investment in Excellence Training: To change an organization, people must change. In this regard Lou Tice's Investment in Excellence tapes are being used as an important part of our TQM training program. These tapes show individuals how they can realize their full potential.

b. TQM and Statistical Process Control (SPC) Training: Each of our employees is being educated on the principles of TQM and the statistical tools for measuring process variation in order for them to be better able to control and improve the quality of what they do. For new employees, an orientation briefing on the DCASR's mission and TQM activity will be provided. This gives them an early on appreciation for the environment they will be working in.

c. Leadership Training: Leadership is vital to TQM. Leadership training is an important aspect of our TQM implementation efforts. Managers must become leaders; first line supervisors must become first line leaders;

TRAINING - A top budget priority

INVESTMENT IN EXCELLENCE - To change an organization, people must change

TQM & SPC AWARENESS TRAINING - Designed for all employees

LEADERSHIP TRAINING - Leadership is vital to TQM

THE FOUNDATIONS OF TOTAL QUALITY MANAGEMENT

non-supervisory employees must begin to think about and appreciate what it means to lead so that they can prepare themselves to become leaders. *Each and every one of us can be leaders.*

Our first leadership session was conducted by Air Force Colonel Edward Hubbard, a prisoner-of-war for six and a half years during the Vietnam conflict. He provided valuable insight into the philosophy of human potential.

A video library has been developed to allow managers to tailor leadership training sessions to their specific needs. New programs will be developed for leadership training to support this vital aspect of TQM implementation.

CAREER DEVELOPMENT



2. *Career Development:* Certificate programs with local universities and management courses are an important initiative to enhance career development and upward mobility, and at the same time, satisfy mandatory training requirements for our Region personnel. These programs and courses are clear evidence of the Region's commitment to its people. In addition to personal time, scarce labor and training dollars are being allocated to continuous improvement initiatives. The resources committed today will develop the Region infrastructure for continuous process improvement tomorrow. This willingness to invest in our employees underscores our belief in the need for change in the way business is conducted.

WORKFORCE FLEXIBILITY

3. *Workforce Flexibility:* Many government and industry organizations are increasing the flexibility of their workforce. To attract and retain quality employees, we must do the same. In addition, providing increased discretion to employees in establishing their work schedules can foster improved morale and an atmosphere of increased trust. Currently, the Region is conducting a six month test of an expanded flexitime window and the concept of an Alternate Work Schedule (AWS) 5/4/9 workweek.

AREAS OF FOCUS FOR IMPLEMENTATION

4. Performance Appraisals/Standards: It is frequently pointed out that the Deming Philosophy advises against the use of employee performance evaluations. We do not have the authority to abolish the current merit performance evaluation system; therefore, we will use the current system to our advantage and shape it to be supportive of our TQM efforts. The first step has been taken to develop draft performance standards for merit pay employees to reflect TQM principles, such as improving communications, breaking down barriers, team-building, and continuous improvement. While under the present system it is individuals that are rated, much of our success in TQM and the accomplishment of our mission is through the success of teams and the degree of teamwork that is established and practiced by our leaders. Therefore, it is appropriate to look at the performance of the overall team in making judgements about the level of performance of individuals on the team. Eventually, these same factors will be reflected in non-merit pay performance standards and position descriptions. We look to develop standards that would be consistent in all areas throughout the Region. A long term objective of the TQM implementation assessment process is for every employee to view continuous process improvement as a critical element in their performance standards and as a fundamental part of their job.

PERFORMANCE APPRAISALS/STANDARDS -
To be designed to support TQM efforts

5. Upward Mobility: A key ingredient in building a quality organization is in creating maximum opportunity for growth, development, and advancement. Use of career ladders, intern type positions, management development and leadership training, and assisting personnel in charting their career development are all important ways that we can continually strengthen our organization by building in opportunities for individual improvement and advancement. In those cases where we cannot offer opportunities for career development within the Region, we should assist and support such employees in seeking opportunity elsewhere, such as other DLA activities.

UPWARD MOBILITY -
Creating maximum opportunity for growth

AREAS OF FOCUS FOR IMPLEMENTATION

SELECTION
PROCESS -
One that is
absent of any
form of bias
or prejudice
of any kind

ASSESSMENT
CENTER

MERIT
PROMOTION
PLAN

BROAD-BASED
RECRUITMENT

6. Selection Process: Our selection process must be one that is absent of any form of bias or prejudice of any kind. Each position filled in this Region must be based on an objective process for determining the most qualified individual for the position. Ways that we are ensuring that quality candidates are brought into the selection process are listed below:

a. Assessment Center: This is an assessment mechanism wherein candidates participate in a series of job simulation exercises which resemble situations that they might expect to encounter in the target job. Participants are observed and evaluated in these exercises by trained assessors who are familiar with the exercises as well as the dimensions (managerial skills) required to successfully perform in the target position. Each candidate is then provided a profile of his/her managerial skills, which will assist the employee in developing a meaningful career development plan. DCASR PHI was the first DLA activity to successfully fill a key position using this technique.

b. Merit Promotion Plan: Philadelphia EXPO Merit Promotion Plan was designed to improve the previous merit promotion system which was a very timely process -- both for the applicants and Personnel Specialists. The primary goals of the revised merit promotion program are to: simplify the process; speed up the filling of vacancies; grant more flexibility and provide more information for key positions.

c. Broad-Based Recruitment: We want to fill vacancies with the best qualified person, whether or not the person comes from inside or outside the Region. Therefore, vacancy

AREAS OF FOCUS FOR IMPLEMENTATION

announcements should normally be given the broadest possible coverage. We plan to use part-time employees and reemployed annuitants, and also avail ourselves of interns, co-ops and college students. We also must ensure every effort to make maximum use of minority and handicapped employees.

7. Delegated Classification Authority:

Under the Experimental Personnel Office Research Project (EXPO), DCASR PHI has been approved as a test site for delegated classification authority. The Region Commander has delegated this authority to HQs Directors and Office Chiefs and SLFA Commanders.

Managers may reclassify existing positions or classify new positions in accordance with Office of Personnel Management (OPM) guidance. This is also a key ingredient of our move to delegate resource management authority. Managers now have much greater flexibility to manage their personnel resources for optimum results within their assigned budget.

DELEGATED
CLASSIFICATION
AUTHORITY

8. Recognition: Our Region policy is that we recognize people for jobs well done. In keeping with our TQM philosophy, this Region is committed to showing our appreciation through both monetary and non-monetary recognition. There are many vehicles for providing recognition, and the *Instant Cash Award* is one of the new ones initiated in the Region. This award can be given to an employee by his or her first line supervisor for an accomplishment that does not merit some form of special recognition under the Incentive Awards Program.

RECOGNITION -
Thanks for a
job well done

9. Increased Grades for Increased Productivity: As resources become increasingly scarce and it becomes necessary to reduce the number of employees through attrition, the existing workload will be absorbed by personnel those remaining individuals taking on additional work and keeping productivity at an acceptable level will be considered for a commensurate grade increase. This will be achieved through re-engineering of work and careful organizational analysis and position management.

INCREASED
GRADES FOR
INCREASED
PRODUCTIVITY

AREAS OF FOCUS FOR IMPLEMENTATION

UNION INVOLVEMENT



TEAMWORK IS VITAL TO PROCESS IMPROVEMENT

SAV

10. Union Involvement: We need strong Union participation in our TQM efforts. The Union plays an important role in developing an organizational environment conducive to attracting, motivating, and retaining quality employees. Union leadership has an integral role in implementing TQM throughout DCASR Philadelphia.

Quality in Work Processes:

To improve the way we accomplish work -- our work processes - involves a total Region team effort. Everyone can and must contribute good ideas, participate in process improvement activities, and adopt an attitude of continuous improvement -- there is nothing we do today that cannot be made better tomorrow.

1. *Breaking Down Barriers and Building Teams:* Use of teams and teamwork is absolutely vital to process improvement. This begins with development of a total Region team and ends with work groups who accomplish work on a teamwork basis (Appendix C). Following are important initiatives to breakdown barriers and create greater team effort:

a. *New Staff Assistance Visits (SAV) Philosophy:* In FY 89, the Region adopted a new philosophy and approach to conducting SAVs, emphasizing the 'assistance' aspect of the visit. The new philosophy embodies several important concepts including advance coordination between the SAV Team Leaders and the SLFA management team to identify specific areas of the SLFA performance where assistance is needed and the areas where additional training is required. The SAV then focuses on those areas and at the conclusion of the review, recommendations are provided to the SLFA in those areas where weaknesses have been identified. A corrective action plan is no longer required and implementation of the team's recommendation is left to the discretion of the SLFA management. This approach has served to foster a greater sense of mutual cooperation between the Region and the SLFA to improve overall performance.

AREAS OF FOCUS FOR IMPLEMENTATION

b. Contract Management (A) and Quality Assurance (Q) Coordination and Cooperation:
There is a big payoff in teambuilding between 'A' and 'Q.' An important step in this direction was when the Directorate of Quality Assurance (QA) and the Directorate of Contract Management (A) held a joint two-day Division Chiefs Meeting. This joint meeting helped both QA and Contracts understand the other directorate's concerns and what was required to accomplish their missions. This also helped to establish a framework to build a better working relationship between the two directorates. It also opened communication lines that will assist us in working as one team. The feedback from this conference was so overwhelmingly positive that there are plans to hold as many joint conferences as possible in the future.

A & Q
COORDINATION
AND COOPERATION -
A big payoff
in teambuilding

c. Integrated Support Teams: Emphasis on DLA's productivity through Excellence and Efficiency in an Enriched Environment (4 E's) is being encouraged and implemented at every organizational entity within DCASR PHI. We recognized the need for expanded communications to increase productivity between the Region staff and SLFAs early in 1988. At that time, we created Integrated Support Teams from various disciplines such as Budget, Management Engineering, Organization and Mission Control Division, to assist the SLFAs in accomplishing their mission within their allocated resources and in developing an enriched environment for the workforce. The 4 E's ideology has been incorporated into the Teams' baseline structure to ensure that all facets of DLA's productivity initiatives are not overlooked. DCASR PHI has gone one step further and determined that all future Field Commanders will receive a poll sampling on quality of worklife issues shortly after a change of command. This will elevate their awareness of employee concerns and welfare.

INTEGRATED
SUPPORT
TEAMS

AREAS OF FOCUS FOR IMPLEMENTATION

CPSR

d. Increased cross-functional Team Effort in Contractor Purchasing System Reviews (CPSRs): The Financial Services Division recently undertook an initiative to expand the CPSR process to include increased participation by the Quality Assurance Directorate and the Production Division to enhance the overall quality of the CPSR report, and to focus on how the contractor's purchasing system impacts on the quality of the end product.

ACO TEAM

e. Organizing work by teams: The concept of an ACO team is a well established and highly effective approach for contract administration. We are maintaining an open mind as to how and where the concept of teams can be expanded. Adhoc teams are evident throughout the Region in areas such as Segment IX Conversion and the recent Accounting and Finance Improvement Task Force. Teams and teamwork will be an increasing influence in the future.

2. Identification of Processes for Improvement and Generation of Good Ideas:

Process improvement requires everyone to get involved. The following are ways ideas for process improvement are generated from both management throughout the Region:

PROCESS
IMPROVEMENT
INVOLVES
EVERYONE



a. ESC, QMB and PAT Structure: Our basic structure for TQM, discussed in Chapter II, is our top down driven approach for focusing the management talent and know-how on the process of change, implementation and continuous improvement.

b. Broadbase Idea Generation: In addition to our top down ESC and QMB/PAT structure, TQM requires broad participation from everyone in the organization there must be no barriers to the identification of good ideas. Our MIP Program, the recently emphasized VE Program, the long-standing Beneficial Suggestion Program, and our Competition Advocacy Initiative are all important vehicles for generation and evaluation of a continuous flow of good ideas for improvement.

AREAS OF FOCUS FOR IMPLEMENTATION

c. Process Improvement Through Automation:

One of the most important means that we are pursuing for improvement of a broad base of processes is through automation. Over the past three years, the Region has gone from one computer terminal for every 550 people to a ratio of less than one computer for every two people. Region wide, we are nearing the goal of having one terminal to each employee who processes information. Not only have we made tremendous strides in the area of computer distribution but also in computer literacy and mechanization of functions as well. With the advent of such projects as Contract Management Paperless Automated Support System (COMPASS), Personnel Automated Request System (PARS), automation QA MIS Data, Quality Effectiveness Sensing Technique (QUEST), and Property Redesign, we will achieve further efficiencies.

PROCESS IMPROVEMENT THROUGH AUTOMATION



By use of laptop computers, we have taken computerization out of the office. Laptops are now being used when any specialist goes out into the field. Laptops are handy tools for recording findings immediately. Since laptops have internal modems, they can be used to transfer information to and from the home base. Productivity has been enhanced significantly and the support to both the internal and external customer substantially improved. We anticipate greater process improvements once training on the use of the laptop has been completed. As our extensive Region computer communications network is expanded and enhanced, we are committed to continue to move aggressively to put more and more data and tools of analysis and management into the hands of all personnel who accomplish our contract administration functions.

Quality in Work Environment

Dr. Deming states in his fourteen principles that everybody in the organization should be put to work to accomplish the transformation process. In order for this to occur, it is vital that our people are placed in a working environment that is safe and conducive to continuous

DEMING'S FOURTEENTH PRINCIPLE

AREAS OF FOCUS FOR IMPLEMENTATION

learning, effectiveness, and building pride in their work and organization. Each individual in this Region has a right to expect quality in work space, equipment, and physical facilities and support services that they need. This would include such areas as:

- Safe, pleasant, and environmentally modern office spaces
- Day care services
- Provisions for adequate parking
- Physical fitness centers
- Equipment such as modular furniture, comfortable and healthy chairs, conference rooms, personal computers, and adequate communications devices
- Clean and modern restroom facilities, smoking rooms, and snackbars

Improvements in the above work environment areas are taking place throughout the Region to varying degrees. However, to reach the level of quality in the work environment that our personnel deserve, requires a continuing, aggressive program in planning, resourcing and managing these improvement initiatives.

Satisfied Customers:

Each customer
should be
treated as
King

Each customer has a supplier and each supplier has a customer. The relationship between the two should be one of mutual support and understanding. Each supplier's customer should be treated as king. This is the operating philosophy of our Region. The customer establishes our reason for being and defines the requirements for services which our work processes produce. Everything we do must be geared to assessment of the impact on customer service. The same notion applies both to our internal and external customers. Satisfied customers are the ultimate objective of performing our contract administration mission. As we

AREAS OF FOCUS FOR IMPLEMENTATION

strengthen our organization -- creating a quality workforce continually improving our work processes, and creating a quality work environment for our people -- we increase our value to our external customers and thereby gain their increased satisfaction. The same holds true for our internal customers. To facilitate a posture of increased external customer satisfaction, several direct customer focus initiatives are taking place.

1. Customer Relations Visits (CRV):
Program: In October 1988, DLA changed the regulation (DLAR 8000.2) governing the Customer Relations Visit Program. The new CRV regulation gives each Region Commander more flexibility in managing the program by eliminating a requisite number of annual visits and providing for the appointment of a Regional CRV Program Manager. DCASR Philadelphia's Commander has designated the Contract Management Directorate as the manager of the CRV Program. This program is now a synergistic effort where the Field Offices and Functional Directorates will target customers to be visited, work out the agenda and conduct the meeting. In turn, the Planning Division of the Office of Policy and Plans will handle all administrative duties. Format of the meetings revolve around specific issues of mutual concern, in addition to detailing DCAS's major functions and abilities.

CRVs



2. Adhoc Visits and Coordination with Customer Commands and Program Offices: Throughout the Region, an aggressive effort is taking place to go 'downstream' to visit, support and better get to know our customers and they in turn, to get to know DCAS and our capabilities. Meetings with customers to chart directions for increased coordination of effort is taking place to a degree not seen in the past. This is a basic underpinning of TQM in order to shape and adjust our in order to shape and adjust our internal practices and processes so that we can continually improve our service to customers.

AD HOC
VISITS &
COORDINATION
WITH CUSTOMER
COMMANDS AND
PROGRAM OFFICES

AREAS OF FOCUS FOR IMPLEMENTATION

ASSISTANCE
AND SUPPORT
TO CONTRACTORS



QUALITY
ASSURANCE
FUNCTIONS WITH
RESPECT TO
CONTRACTORS

3. Assistance and Support to Contractors: Contractors are also our customers. We owe the contractors in the Region the very best service we can provide in a multitude of areas. The following are important areas where we are improving the service we provide to contractors:

a. Increasing Contractor Education and Awareness: Doing business with the government is not an easy undertaking given the stringency of our contract requirements. Educating contractors on these requirements is in our mutual best interest. We are doing this through several means: Our annual Contractors' Conference, co-sponsored with NSIA; Joint DCAS-contractor training in areas such as SPC and Investment in Excellence; visits to contractors plants; speeches at local service clubs and at various conferences attended by contractors; and in mass mailings and telegrams to contractors on TQM and various contract administration subjects such as invoice preparation.

b. Responding to Contractors Phone Calls and Letters: We have increased our sensitivity to providing fast and courteous responses to contractor's inquiries. At all levels, we must we must increasingly be diligent in this area which has a direct bearing on our reputation as public servants and contract administration professionals.

c. Contract Payment: To bring about improvements and modernization in contract payment operations, an Accounting and Finance Improvement Project was initiated in June 1989. It's objective is to reduce overage invoices to single digits, eliminate the payment of material interest penalties and to establish organizational and process improvements that will enable A&F to achieve a reputation for sustained excellence. A cross section of Region personnel have been were selected to serve as Project Team members.

d. Quality Assurance Functions with Respect to Contractors: The QA function can be viewed as both providing support to buying and user activities and to the contractor as well. For instance, prompt, thorough, and responsive receipt and inspection serves the interests of both the contractor and the government. Similarly, approval of contractor MIL-I and MIL-Q systems

AREAS OF FOCUS FOR IMPLEMENTATION

in a prompt and responsive way is an important way we provide service to contractors in the QA area. The Region's QA Strategic Plan is a new initiative for increasing our QA mission effectiveness, which will help both the government and contractors.

The Strategic Plan is viewed as a means to keep pace with the increasing level of product sophistication associated with defense procurement. Strategic Plan proposes that the in-plant Quality Assurance Representative (QAR) receive direct support from Technical Support Teams. These teams would be composed of talented Quality Assurance personnel and Engineers and would be strategically located within a geographical area from which they would be dispatched to assist the QARs with their in-plant quality assurance operations.

The Strategic Plan advocates departing from the conventional methods of product verification while moving forward to a more systematic approach to evaluate contractors' conformance, i.e., process surveillance and statistical analysis techniques. The plan closely aligns with DoD's TQM initiatives by promoting an environment which constantly improves the way DCAS QA performs related contract administration operations.

The QA Strategic Plan has been modified to ensure that it is in full accord with DLA's IQUE initiative.

e. **Contract Management Assistance to Contractors:** There are many areas under Contract Management -- pricing, system reviews, transportation, negotiation of various contractual instruments, etc. -- that must be performed in a thoroughly professional manner in order to protect the government's interest, while at the same time being responsive and fair to the contractor. Our contracting officers, and the many functional specialists in support of the contract management area, are fully sensitive to the role of contractor support they perform.

QUALITY
ASSURANCE
STRATEGIC PLAN

CONTRACT
MANAGEMENT
ASSISTANCE TO
CONTRACTORS

AREAS OF FOCUS FOR IMPLEMENTATION

ASSISTANCE
TO SMALL AND
MINORITY
BUSINESSES



f. Assistance to Small and Minority Businesses:

This Region has a vigorous Small Business Program that we are continually working to improve. Training conferences for small businessmen, assisting small and minority businesses in gaining government contracts and in resolution of problems, and numerous one-on-one meetings with contractors to provide a wide variety of assistance are initiatives and activities that underscore of the seriousness of our efforts to serve the small business community.

CHAPTER IV

TQM EXECUTION

AND EVALUATION

CHAPTER IV - EXECUTION AND EVALUATION

Introduction

The best laid plans will not come to fruition without putting in place the measures necessary to sustain change. Implementing long term organizational change is the most difficult undertaking an organization can pursue. In this chapter, we describe our principal tools and Approach for implementing our TQM transformation.

A Phased Approach to TQM Implementation

**PHASED
IMPLEMENTATION**

While we did not fully realize it at the time, we chartered our course in TQM implementation by using the Plan-Do-Check-Act (PDCA) cycle as a reference. After four months of intensive study and education in TQM concepts, senior management developed a two-phased implementation approach. We recognized that the transformation process would not be easy and that a great deal of nurturing would be required by those in top management positions.

PHASE I

In Phase I, a TQM Support Group was organized, and the initial implementation was approved by the Executive Steering Committee.

Key objectives of Phase I were to:

- Identify and make one non-trivial productivity enhancement through process improvement.
- Clearly define training requirements.
- Clearly define resource requirements.
- Publish Region's Philosophy of TQM to ensure common understanding by all employees. This Philosophy was later reduced to the Region's Constancy of Purpose and Guiding Principles.

Four prototype Quality Management Boards (QMBs) were established during Phase I so that we could begin the learn how to perform process improvements through a QMB structure. There were also a multitude of activities during Phase I centered around employee training, selection of facilitators, conduct of process improvement reviews, coordination of outside professional assistance -- all the things necessary to get started with TQM across a broad front. Phase I has been a challenge, but significant momentum has now been generated.

CHAPTER IV - EXECUTION AND EVALUATION

We are now beginning the second phase of TQM implementation. Phase II entails a continuation of training and process improvement initiatives developed in Phase I. The principle objectives of Phase II are to:

PHASE II

- Improve both internal and external customer support;
- Ensure Directorate Heads and SLFA Commanders have effective and efficient support to accomplish their TQM objectives;
- Shift implementation accountability and responsibility from the ESC and QMBs to Directorate Heads and SLFA Commanders; and,
- Execute the Region mission in a manner consistent with Total Quality Management.

Phase II will put the TQM operating philosophy into practice throughout the Region. Phase I built a solid TQM foundation. The expectation of Phase II is to build upon that foundation through management action throughout the Region.

In Appendix D are the milestones for implementation of our TQM initiative.

Implementation Planning
By All Organizational Entities

Our ultimate success in the TQM transformation process is dependent upon individual planning and execution by all organizational entities (SLFAs and Region Staff Offices) within the Region. Therefore, every organizational segment within the Region is to engage in appropriate TQM implementation planning which is supportive of this overall Region Plan, and is tailored to that organization's particular circumstances. The Region TQM Coordinator and TQM Support Staff are to both assist and track these individual implementation efforts.

Ultimate
success
depends on
individual
organization
planning

Resources Management For TQM

A successful TQM initiative requires a significant financial commitment and budgetary discipline. Adequate funding must be committed to support organizational improvement investments.

SIGNIFICANT
FINANCIAL
COMMITMENT

CHAPTER IV - EXECUTION AND EVALUATION

For instance, making the investments in training and quality of worklife improvements that we need, while at the same time meeting our mission performance requirements, requires a resources management system that gets the very most out of every dollar that DLA is able to provide to us. We achieve such budgetary efficiency through:

- Sound financial planning
- Decentralizing budget execution authority to managers who are accountable for mission performance.
- Identifying, documenting, and justifying to DLA those investments which cannot be made within our assigned resources. This is particularly important in identifying year-end funding requirements.

During FY 88, we made excellent progress in strengthening our resources management system. Additional progress is being made this fiscal year, with the goal of having an even more improved resources management system, supported by an effective and user-friendly MIS, fully in place prior to the start of FY 90.

Measurement of Performance Trends

Being able to operate on the basis of continuous improvement requires adequate management information on performance trends.

DEEMPHASIS ON "BOGIES"

1. Deemphasis of Focus on 'Bogies' - Traditional performance indicator systems tend to key on 'bogies', with the objective being to stay within assigned 'bogies'. This fosters two unfavorable results: (1) a management attitude of 'good enough', as opposed to continuous improvement; and (2) short term tiger team type efforts to get within a given 'bogie', without focusing on the underlying causal factors which, if resolved, could result in long term improvement that exceeds the level of the 'bogie'. Within the Region, we will always stress a management focus on performance trends in our reviews of key performance indicators.

CHAPTER IV - EXECUTION AND EVALUATION

2. Use of Statistical Process Control (SPC) -

Increasingly, we will be introducing the use of SPC in displaying and tracking performance trends. In this way we can begin the long term objective of achieving constant improvement in quality and productivity by reducing the inconsistencies found in all processes. Implementation of SPC will help us create an environment of "problem prevention", and not just "problem detection", because we will be able to control processes from the start, identify true causes, not just symptoms, and develop permanent solutions.

SPC creates a "problem prevention" environment

Some specific applications for SPC under consideration are contract data input, manual invoice payment, rate negotiations, rate tracking, and preaward surveys.

Industrial Engineering As A Tool For TQM Implementation

DCASR Philadelphia Management Engineering personnel are trained to implement DLA Special Purpose Data (SPD) work measurement standards. The standards are blueprints of all measured operations and serve as a starting point for managers to perform continuous improvement in their operations. The efficiency of each organization is analyzed by Management Engineering personnel against the national standards, workload, and actual hours expended. The standards will continue to be used as a benchmark for productivity improvement.

INDUSTRIAL
ENGINEERING

In addition to analysis of SPD information, Management Engineering personnel are available to perform special operational analyses such as the one currently being performed of Accounting and Finance Division work flow and methods.

Process Improvement Initiatives: Our Current QMBs

From our four prototype QMBs established in June 1988, we have progressed to nine today. Each is in various stages of progress and maturity. New QMBs will be started as processes for improvement are identified and a QMB can be properly staffed. Current QMBs are discussed below.

CHAPTER IV - EXECUTION AND EVALUATION

1. Level One/Subsafe QMB:

LEVEL ONE/
SUBSAFE QMB

Objective: Improve the Level One/Subsafe Acquisition process so that the using activities can develop maximum confidence in the quality of the material provided to them.

Of the nine DCAS Regions, Philadelphia has the most LI/SS activity. The QMB felt that in order to be most effective, it would have to look at the LI/SS system from cradle to grave, rather than limit itself to the DCAS aspect only. The initial focus of the Board was on the education and training of both contractor and government personnel. The group felt that the more information that can be given to the QARs and contractor representatives, the better they will be able to do their respective jobs within the LI/SS arena. Along these lines, a Level One/Subsafe Symposium was conducted jointly by the Ships Parts Control Center (SPCC) and DCASR PHI in May 1989. 'Quality Outcomes' of the QMB are reductions in the reject rate, material deficiency reports, and rejected material.

2. Training QMB:

TRAINING QMB

Objective: To ensure DCASR PHI's training process is carried out in the most efficient way to maximize training opportunities for our employees at the least cost.

We spend approximately \$2 million on training annually. While serious problems do not exist in the training area, there is always room for improvements that would add greater value to the process, increase customer satisfaction, and improve the overall quality of training to our employees.

Long range, the Board will look at each segment of the total training process. It is currently pursuing development of a Region-wide data base containing general information on available training that can be easily accessed and updated. This data base will serve the first line supervisor and training coordinators throughout the Region. It will provide for greater flexibility in accomplishing their mission. Input access will be limited; however, data retrieval will not.

CHAPTER IV - EXECUTION AND EVALUATION

3. Resource Management QMB:

Objectives:

- Overall: Improve resource management process and make it more effective.
- Improve accuracy and timeliness of information.
- Create more equitable distribution of funds.
- Improve capability to identify resource requirements.

RESOURCE
MANAGEMENT
QMB

Because of the size and complexity of this subject, the Board concluded that it would examine resourcing as two distinct processes - budget formulation and budget execution. The Board is currently dissecting each of the processes separately to define significant output goals and determine if lower QMBs may be required to accomplish the objectives.

4. Pre-Award Survey QMB:

Objective: To continuously improve the quality and timeliness of the pre-award survey process to meet the specific needs of all customers.

PRE-AWARD
SURVEY QMB

One of the initial actions of this QMB was to advise all our buying activities of the existence of the Board, its purpose and direction, and what the QMB needs from them in support of its efforts. PCOs from local buying activities (ASO, DISC, DPSC) have also been invited to attend QMB meetings to discuss their needs. This exchange will help the Board members gain a better understanding of the priorities of buying activities, i.e. content and quality versus timeliness.

5. Unpriced Contractual Actions QMB:

Objective: This newly formed QMB is in the preliminary stages of digesting the ESC/QMB concept and roles. Board members who did not attend a four day Deming Seminar recently received Deming Awareness Training. They are highly motivated and enthusiastic about the TQM approach to their respective areas. We anticipate this Board gaining momentum in the near future.

UNPRICED
CONTRACTUAL
ACTIONS QMB

CHAPTER IV - EXECUTION AND EVALUATION

6. Accounting and Finance QMB:

ACCOUNTING AND
FINANCE QMB

Objective: The overall objective of the QMB is to build long term continual improvement in the contract payment process. This QMB is composed of managers from A&F, Contract Administration and OTIS. A flow chart of the entire payment process has been completed. Board members will now examine the puzzle piece-by-piece and begin to discuss potential PAT projects.

New QMBs Approved at June 1989 ESC: Chairman of the following QMBs have been appointed and general objectives have been discussed.

7. Healthy Workforce QMB:

HEALTHY
WORKFORCE QMB

Objective: This QMB will focus on the physical health of our workforce. It will examine all the ways that we can enhance the health and well-being of people.

8. Command Image QMB:

COMMAND IMAGE QMB

Objective: How we are perceived has a profound impact on how we perceive ourselves. This QMB will deal with both the internal and external image of the Region, causes and effects, and how we can change the negatives to positives.

9. Contract Distribution QMB:

CONTRACT
DISTRIBUTION QMB

Objective: Improving the timeliness of the contract document distribution process can greatly increase both internal and external customer satisfaction. Managers from DCASR PHI, DISC, and other buying commands will study the current process to uncover bottlenecks and open lines of communication.

Technical Assistance and Evaluation

While we are basically our 'own best consultants', from time to time it is healthy to obtain outside technical assistance. We will obtain such assistance from the Navy Personnel & Research Center and other outside consultants to assess our TQM implementation process, specifically focusing on training and process evaluation techniques.

CHAPTER IV - EXECUTION AND EVALUATION

Consultants from the Naval Personnel Research and Development Center will perform an "in-process" review of TQM activities during FY 89. This will consist of assessing organizational TQM knowledge, attitudes and activities through interviews and surveys. Two surveys will be conducted - a preassessment will provide baseline data for evaluating the implementation effort and a fourth quarter follow-up survey to assess the effectiveness of TQM activities.

"IN-PROCESS"
REVIEWS

Internal Progress Reviews and Feedback

In addition to assessments performed by outside consultants, the TQM Support Staff will be performing both formal and informal review to determine the effectiveness and status of our TQM implementation efforts. These reviews will cover such areas as: TQM training effectiveness, personnel changes experienced as a result of implementing the TQM philosophy, and the effectiveness and capability of QMBs and PATs. Feedback from these assessments will be provided to the Region Commander, the ESC, and individual Field Commanders and Staff Directors, as appropriate.

FEEDBACK

APPENDIX A
THE SECRETARY OF DEFENSE



WASHINGTON, THE DISTRICT OF COLUMBIA

30 MAR 1988

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL
INSPECTOR GENERAL
DIRECTOR, OPERATIONAL TEST & EVALUATION
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Department of Defense Posture on Quality

It is critical at this time that the Department of Defense (DoD), its contractors, and their vendors focus on quality as the vehicle for achieving higher levels of performance. The DoD budget leaves no room for solving problems that flow from poor quality. Quality is synonymous with excellence. It cannot be achieved by slogans and exhortation alone, but by planning for the right things and setting in place a continuous quality improvement process.

Total Quality Management (TQM) is a concept that demands top management leadership and continuous involvement in the process activities. The successful TQM operation is characterized by an organization of quality trained and motivated employees, working in an environment where managers encourage creativity, initiative, and trust, and where each individual's contributions are actively sought to upgrade quality. Secretary Weinberger's memorandum of February 2, 1987, asked you to create teams of line managers at all levels to remove organizational and procedural impediments to productivity and quality. These productivity and quality teams should play an important role in the DoD TQM process.

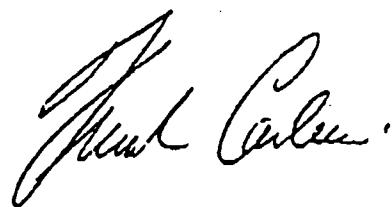
I am giving top priority to the DoD Total Quality Management (TQM) effort as the vehicle for attaining continuous quality improvement in our operations, and as a major strategy to meet the President's productivity objectives under Executive Order 12552. The attached DoD Posture Statement on Quality reflects the fundamental principles that underpin this initiative. TQM has already achieved reduced costs and increased efficiency and effectiveness in several DoD components. We now need to expand the TQM effort throughout DoD. The ultimate goal is the satisfied, quality-equipped, quality-supported soldier, sailor, airman, and Marine.

30452

Quality in weapons systems is central to the DoD mission. Therefore, I have asked the Under Secretary of Defense for Acquisition to lead the TQM thrust by implementing it as an integral element of the entire acquisition process. In doing so he will be seeking a fundamental change in how the acquisition community views product quality. He will develop the policies and seek the appropriate Federal Acquisition Regulation and other regulatory changes to ensure that TQM is enforced in requirements formulation, design, development, production planning, solicitation and source selection, manufacturing, fielding, and support. You should ensure that all program managers are trained to apply TQM measures in acquisition planning and throughout all aspects of program execution.

As we move forward with implementation of the TQM process, DoD wide, we will strengthen ourselves internally to make us better partners in our relationships with industry, the Congress, and the public. I am convinced that as the quality-first concept inherent in TQM is shown to benefit the defense sector, it will seed a renaissance of quality throughout the United States.

I ask for your personal involvement in this endeavor. Please ensure that this letter and the DoD Posture Statement on Quality are widely circulated throughout your organization.

A handwritten signature in black ink, appearing to read "Paul Cellen".

Attachment



THE SECRETARY OF DEFENSE
WASHINGTON, THE DISTRICT OF COLUMBIA



DoD POSTURE ON QUALITY

- *Quality is absolutely vital to our defense, and requires a commitment to continuous improvement by all DoD personnel.*
- *A quality and productivity oriented Defense Industry with its underlying industrial base is the key to our ability to maintain a superior level of readiness.*
- *Sustained DoD wide emphasis and concern with respect to high quality and productivity must be an integral part of our daily activities.*
- *Quality improvement is a key to productivity improvement and must be pursued with the necessary resources to produce tangible benefits.*
- *Technology, being one of our greatest assets, must be widely used to improve continuously the quality of Defense systems, equipments and services.*
- *Emphasis must change from relying on inspection, to designing and building quality into the process and product.*
- *Quality must be a key element of competition.*
- *Acquisition strategies must include requirements for continuous improvement of quality and reduced ownership costs.*
- *Managers and personnel at all levels must take responsibility for the quality of their efforts.*
- *Competent, dedicated employees make the greatest contributions to quality and productivity. They must be recognized and rewarded accordingly.*
- *Quality concepts must be ingrained throughout every organization with the proper training at each level, starting with top management.*
- *Principles of quality improvement must involve all personnel and products, including the generation of products in paper and data form.*



APPENDIX B
DEFENSE LOGISTICS AGENCY
HEADQUARTERS
CAMERON STATION
ALEXANDRIA, VIRGINIA 22304-6100



IN REPLY
REFER TO DLA-P

16 MAY 1989

SUBJECT: Improving the Acquisition Process -- Buying Best Value

TO: Heads of HQ DLA Principal Staff Elements
Commanders of DLA Supply Centers
Commanders of DLA Service Centers
Commanders of DLA Defense Depots
Commanders of DCAS Regions

1. In his 1 May 1989 memorandum (enclosed), the Deputy Secretary of Defense affirms his commitment to apply Total Quality Management and 'Best Value' contracting as key elements in our quest for increasing productivity. He subscribes to these concepts, being institutionalized in the DoD's acquisition process by the Under Secretary of Defense for Acquisition (USD(A)), as the cornerstones of the Department's acquisition process.

2. I fully support the applications of these concepts as described by the Deputy Secretary of Defense. The vision and leadership path he directs will allow us to continue on our present course of seeking excellence in the acquisition process and to build and expand upon these efforts with increasing fervor. Please give his memorandum the widest possible dissemination in your organization.

1 Encl

Charles McCausland

CHARLES McCAUUSLAND
Lieutenant General, USAF
Director

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THE DEPUTY SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

1 MAY 1989

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN, JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
COMPTROLLER
GENERAL COUNSEL
INSPECTOR GENERAL
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Improving the Acquisition Process -- Buying Best Value

The Department of Defense must continuously seek measures to increase productivity in the defense acquisition process to live within budget constraints without jeopardizing national defense and readiness. Recently, the Under Secretary of Defense for Acquisition (USD(A)) took action making Total Quality Management (TQM) and "Best Value" contracting key elements in the quest for increased productivity. I subscribe to these concepts as the cornerstones of the Department's acquisition process.

Inherent in TQM is the notion that all acquisition functions can profit from a total commitment to continuous process improvement. This commitment begins with fostering a climate that demands, recognizes, and rewards excellence. Those contractors who provide "Best Value" to the government by consistently demonstrating, through performance on production contracts, an ability to deliver on time while consistently improving quality and reducing cost should be rewarded for their accomplishments. Within DoD, development and retention of a competent, dedicated, and well trained work force must be ensured. Each person in the Department must treat quality as his or her direct responsibility. All Departmental personnel are expected to strive for continuous process improvement and foster excellence in acquisition. Further, the TQM process requires that we be a knowledgeable customer in dealing with defense producers both at home and abroad. This entails carefully articulating realistic and cost effective contract requirements and encouraging suppliers to provide efficient, innovative means to meet these requirements. Simply stated, all suppliers must understand fully what we expect of them in terms of efficient performance, firm delivery requirements, and uncompromising quality. They, in turn, should expect and receive

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a timely, fair, and professional response in a streamlined proposal evaluation and contract award process, followed by firm, fair, and responsive contract administration.

DoD will continue to use competition to bring about an environment conducive to the pursuit of TQM. To the extent practical, suppliers should expect a stable DoD business relationship, but clearly understand that failure to honor their contractual commitments will result in the reduction or elimination of future DoD business. Well crafted competitions should not be looked upon as a threat, but rather, as opportunities for the most efficient and highest quality producers to gain and maintain increased DoD business. As we structure our competitions, past performance, including quality, cost and delivery should be more significant determinants in contract award decisions.

The USD(A) will integrate and prioritize the many ongoing and worthwhile improvement efforts aimed at getting more for our DoD dollars by improving the total acquisition process.

Donald J. Atwood

Donald J. Atwood



APPENDIX C
DEFENSE LOGISTICS AGENCY
DEFENSE CONTRACT ADMINISTRATION SERVICES REGION, PHILADELPHIA
POST OFFICE BOX 7478
PHILADELPHIA, PENNSYLVANIA 19101-7478

REPLY
REFER TO

DCASR PHI-D

JUN 20 1988

SUBJECT: Breaking Down Organizational Barriers

TO: Commanders and Directors

1. Breaking down organizational barriers is one of Dr. Deming's 14 principles to improve an organization. I believe we can all agree with this principle. However, it is something which we often resist. It is natural to 'protect turf', pursue our innate competitiveness, not seek help beyond our organizational unit, and reject others ideas as 'not invented here'. These tendencies have to be resisted. It is in our self interest as a Region, as organizational entities within the Region, and as individuals, to put parochialism behind us and work to break down organizational barriers. There is much evidence that good progress is already underway. However, this isn't an easy undertaking, and concerted effort remains ahead of us. Here are some specific suggestions for you to consider:

- a. Use other's ideas.
- b. Admit to problems and seek help from others.
- c. Form committees of members from various organizational entities to work on specific problems.
- d. Regional Staff be aggressive in finding areas where the Field Commands need assistance, and provide the needed help which is required.
- e. Field Commands communicate openly with Regional Staff on problems and areas where assistance is required.
- f. Don't become immediately defensive when faced with criticism. Be open-minded and accept the criticism as an input which may benefit you or your organization. If criticism is placed in a positive light, each of us can gain a great deal from it.
- g. Functional specialists should keep an open mind about how other functions or specialists can be brought to bear on a problem. There are many examples of how this type of inter-disciplinary cooperation is already built into the way we perform our contract administration business. However, we shouldn't limit ourselves to intra-functional cooperation.

DCASR PHI-D

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SUBJECT: Breaking Down Organizational Barriers

JUN 20 1988

2. Each of us should adopt the philosophy that there is no one individual or organization which cannot be improved by getting help from others. That is the way that true teamwork becomes a reality. It is through such teamwork that both we as a Region can become vastly improved and individuals can realize the professional growth and career benefits which stems from improved professional capabilities and performance.

A. E. Viscante, Jr.

A. E. VISCANTE, Jr.
Captain, SC, USA
Commander

APPENDIX D

MILESTONES FOR DCASR PHI'S TQM IMPLEMENTATION PLAN		CY 1988	CY 1989	CY 1990	CY 1991	CY 1992	CY 1993
		1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4
1.	Command Decision	/					
	A. Identify Critical Mass	/					
	B. Establish Executive Steering Committee	/					
	C. Publish DCASR TQM Plan						
	(1) Interim plan	/	*				
	(2) Final Plan						
	D. Implement Deming's 14 Points	•	- - -	- - -	- - -	- - -	- - -
	E. Issue Constancy of Purpose and Guiding Principles		/				
2.	Education and Training						
	A. Identify Training Requirements	•	- - -	- - -	- - -	- - -	- - -
	B. Identify Training Sources Available	•	- - -	- - -	- - -	- - -	- - -
	C. Schedule Training	•	- - -	- - -	- - -	- - -	- - -
	D. Conduct Training	•	- - -	- - -	- - -	- - -	- - -
3.	Process Improvements						
	A. Identify Processes	•	- - -	- - -	- - -	- - -	- - -
	B. Establish Quality Management Boards	•	- - -	- - -	- - -	- - -	- - -

LEGEND :

SCHEDULED START * SCHEDULED COMPLETION ● STARTED / COMPLETED - - - ON-GOING PROCESS

MILESTONES FOR DCASR PHI'S TQM IMPLEMENTATION PLAN		CY 1988	CY 1989	CY 1990	CY 1991	CY 1992	CY 1993
		1 2	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4
C.	Establish Process Action Teams		0	-	-	-	-
D.	Implement Changes		0	-	-	-	-
4. Institutionalize Continuous Improvement		-	-	-	-	-	-
A.	Focus on Customer Satisfaction	-	-	-	-	-	-
B.	Integrate Existing Initiatives	●	-	-	-	-	-
C.	Publicize TQM Activity	●	-	-	-	-	-
5. Implement Feedback and Monitoring System		●	-	-	-	-	-

I E G E N D :

0 SCHEDULED START * SCHEDULED COMPLETION ● STARTED □ COMPLETED ■■■ ON-GOING PROCESS

APPENDIX E

GLOSSARY OF TERMS

ABBREVIATIONS:

ACO - Administrative Contracting Officer
ATS - Audit Transmission System
COMPASS - Contract Management Paperless Automated Support System
CPSR - Contractor Purchasing System Review
CRV - Customer Relations Visit
DCAA - Defense Contract Audit Agency
DCASR - Defense Contract Administration Services Region
DCASMA - Defense Contract Administration Services Management Area
DCASPRO - Defense Contract Administration Plant Representative Office
DLF - Defense Logistics Electronics Supply Center
DLA - Defense Logistics Agency
DoD - Department of Defense
EMAIL - Electronic Mail
ESC - Executive Steering Committee
EUCAG - End Users Computer Assessment Center
4Es - Excellence and Efficiency in an Enriched Environment

FAO - Field Audit Office
FPRA - Forward Pricing Rate Agreement
IDP - Individual Development Plan
IPP DBMS - Industrial Preparedness Planning Data Base Management System
LAN - Local Area Network
OPM - Office of Personnel Management
PARS - Personnel Automated Request System
PAT - Process Action team
PC - Personal Computer
PLFA - Primary Level Field Activity
PRICELINC - Program linking up ACO, Pricing Customer on Computers, DCAA
PROMAC - Program Managed Contracts
PRS - Pricing Report Transmission System
QMB - Quality Management Board
RPEP - Readiness Plant Equipment Package
SAV - Staff Assistance Visit
SLFA - Secondary Level Field Activity
SPC - Statistical Process Control
SPD - Special Purpose Data
TACP - Technical Analysis of Cost Proposals
TQM - Total Quality Management
VEP - Value Engineering Program
WAN - Wide Area Network